

Bank of North Dakota

Core Banking Project

Post-Implementation Report

PROJECT IDENTIFICATION

Project Name: BND Core Banking Date: May 31, 2006

Project Sponsor: Eric Hardmeyer

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A. PRODUCT EFFECTIVENESS

Bank of North Dakota's primary goal with the Core Banking Project was to convert their existing core banking and related systems over to a new integrated solution. The new solution would streamline operations for Bank employees and add functionality that offered new services to the Bank's customers, as well as leveraging technology to improve how the Bank's customers interact with BND.

Project Objectives:

- Position the Bank of North Dakota for the future by replacing disparate and outdated systems with an integrated banking suite.

Achievement: BND replaced several mainframe-based legacy systems from multiple vendors with the Core Banking software from ITI.

- Increase efficiency by reducing or eliminating the higher burden of maintenance and support associated with disparate and outdated systems.

Achievement: ITI provides all support and maintenance for their Core Banking software. Previously, maintenance and support was provided by a variety of vendors, or by BND.

- Increase productivity by providing BND employees with more effective and efficient technology to perform internal operations.

On-line entry of transactions has created processing efficiencies across the Bank and the generation of BND's many reports has become more efficient.

Manually input spreadsheets and work papers have been replaced in BND Accounting Services and across the Bank as data is directly mapped into applications. For example: Implementing the use of the ITI core banking call report software has provided efficiencies in completing bank call report regulatory requirements.

The Bank has experienced an efficiency improvement in the FHLB reporting of direct farm real estate loan collateral. One report on the new system has replaced six reports on the old system, resulting in significant time savings each quarter.

ITI's call report software has allowed BND accounting Services to map data directly from the G/L, Deposits, and Loan systems into the call report. BND Accounting Services will continue to implement additional efficiencies and features of the system related to the call report with increases in accuracy due to the mapping feature.

- Provide higher levels of customer service through more accurate, timely and complete information and business service processing.

Across the Bank, reports provided to customers are more professional looking with the new system.

Daily access to Treasury Services trust account balances now provides current information for customer inquiries and the ability to monitor account transactions as they occur.

Annual Statement and Escrow Statement reporting has a cleaner, easier to understand format.

BND's reporting to other state agencies about bond issues administered by the Bank has been enhanced.

- Move applications to the most efficient operating platform for specific systems.

Achievement: The migration to the ITI Core Banking software moves BND and the State significantly closer to be positioned for the State's goal of reducing or eliminating mainframe-based applications.

Achievement: BND's Core Banking system now resides on a platform that will be more efficiently supported into the future.

- Offer new services to BND's customers; most notably in the areas of Bill Pay Services, Check Imaging and Online Access to transaction information for residential loans and deposit customers. Other financial institutions and farm loan customers are able to access their information thru the web using the core banking system online services.
- Comply with Federal Check 21 Act Item Processing legislation. The new core banking and check processing systems allows us to electronically exchange check image files with other financial institutions and to send image statements to our customers.
- Provide BND management with more useful information for decision making including refined profitability analysis tools.

Achievement: BND's Core Banking system contains report generation tools that were either not available in the old system or much less efficient to use. Examples are ALCO (Asset Liability) reporting, reports used for setting the base rate and the quarterly reports used in lending.

- Realign information technology and business functions to most effectively position BND for its future business, operating, financial, and regulatory environments.
- Assist BND management in the achievement of the Bank's mission and strategic objectives

The ITI Core Banking software effectively meets the basic banking needs of BND. It also provides for additional features and functionality that will improve internal operations and customer service.

In the majority of cases where the ITI software is not yet meeting the needs of BND, it is because the way BND conducts business in some areas is significantly different when compared to the way most commercial

banks would process a similar transaction. This is due to the uniqueness of BND's programs and governmental requirements.

*Overall Survey Rating: Total Responses 111
Response Value 295
Average 2.7*

B. CSSQ MANAGEMENT

Since we did not implement this particular project management methodology until well into the project when we became more aware of the State's PM program and obtained Mark Molesworth's assistance in using this PM approach, we did not implement all of the features of the methodology, or implemented some features only partially. (Note: The underlying PM methodology that was used from the beginning was that as implemented by the external consultants who provided project management services through conversion.)

With regard to the use of CSSQ, specifically, it was implemented mid-term of the project and was found to be very beneficial; primarily because of how it categorized significant but potentially scattered information into a well controlled and simple to use format, which made for effective follow-up as necessary.

The 'Cost' component of the project was controlled through use of an initial budget and continuously updated reports showing the initial estimated cost, costs incurred to-date, estimated cost to complete, and support for variations from the original estimated cost as better information was obtained while the project advanced.

All contracts, which formed the basis for payments, were reviewed by the appropriate parties, compared to the expected hardware, software, and service deliverables, and a recommendation prepared, prior to being signed by BND's President.

The 'Scope' component of the project was controlled primarily through the weekly Project Team and Executive Team meetings. Any deviations from the original scope considered to be more than minor were advanced, with recommendations, to the BND Information Technology Steering Committee (which essentially made up the project's Executive Team) for consideration and approval.

Two examples of this type of scope decision were the decision about the extent to which the customer information file (CIF) feature should be

implemented across the Bank and the decision to not implement the Fixed Assets module in the IT package.

The 'Schedule' component of the project was also controlled primarily through the weekly Project Team and Executive Team meetings. Any material deviations to the schedule were reviewed and approved by the project's Executive Team.

An example of an adjustment to the schedule was the delayed delivery of certain hardware components. This affected the timing of certain project activities within the overall schedule but had a minimal affect on the master schedule.

The 'Quality' component of the project was a joint effort between the ITI team and the BND project team. During conversion, both teams monitored the performance of the system for integrity; testing was conducted in each area of the Bank to ensure the system was working as intended and expected. Issues for resolution were identified, monitored and action plans developed. Issue management continues as the Bank works through the various issues that are identified through further use of the system.

Overall Survey Rating: No Responses

RISK MANAGEMENT

As noted for CSSQ, we implemented the State's PM mid-to-late project. However, we did implement the Risk Management feature for the latter part of the project and found it to be very useful.

One example of how risk management yielded value during BND's Core Banking Project was during the delay by the vendor of critical hardware, mentioned in the CSSQ section of this report under 'Schedule'. Since such a delay had been identified as a risk, the effect of the delay was much less significant than it would have been had no forethought been given to such an event. As this risk had been considered and discussed, the delay in hardware delivery did influence the schedule but not to a detrimental degree and certainly not to the extent it could have affected the project, had it not been previously considered as a risk.

*Overall Survey Rating: Total Responses 48
Response Value 122
Average 2.6*

D. COMMUNICATIONS MANAGEMENT

We did not formally implement the PM's formal Communication Plan due to the timing of our implementation of the PM relatively late in the project lifecycle.

We did study the use of the Communication Plan tool and discussed how we might have used it from the project's inception.

One of the most effective communications tools we used was weekly Project Team and Executive Team meetings for review of the detailed and high-level project plan and the tracking and resolution of outstanding tasks and issues.

Regular updates on the project's progress was provided to all BND employees on the Bank's intranet ('Synergy') and at all-employee meetings. The Bank's Advisory Board was also provided with periodic updates at their monthly meetings.

*Overall Survey Rating: Total Responses 317
Response Value 849
Average 2.7*

E. ACCEPTANCE MANAGEMENT

We did not use this feature of the formal methodology during the Core Banking Project due to the timing of the integration of the State's PM methodology into the project.

We did perform a documented 'go-no go' decision by the Project Team and Executive Committee to move into the actual system conversion; the most significant acceptance management activity during the project. The basis for the recommendation to BND's Information Technology Steering Committee to proceed with conversion was the testing of individual system modules by BND ITS and service area personnel.

*Overall Survey Rating: Total Responses 47
Response Value 113
Average 2.4*

F. ORGANIZATIONAL CHANGE MANAGEMENT

We did not use this feature of the formal methodology during the Core Banking Project due to the timing of the integration of the State's PM methodology into the project. However, we did learn about the use of this feature of the PM and will implement it in future projects.

Training classes in a variety of formats were conducted by ITI trainers and BND in-house trainers prior to the Bank going into production with the new Core system. Customer training in select products also occurred.

*Overall Survey Rating: Total Responses 64
Response Value 142
Average 2.2*

G. ISSUES MANAGEMENT

We did use the Issues Management feature of the PM from the point we integrated the use of the methodology into the project. We found it to be a very effective process for identifying, tracking, prioritizing and resolving issues, to the extent we used it. The extent was limited due to the late point in the project at which we implemented it.

BND continues to track Core system issues that are identified by the service areas to ensure they are effectively reported, monitored and resolved.

*Overall Survey Rating: Total Responses 62
Response Value 153
Average 2.5*

H. PROJECT IMPLEMENTATION AND TRANSITION

The Project Implementation and Transition phase of the BND Core Project was fairly smooth. The most significant challenges arose from the differences in how BND processes certain types of transactions and unique programs, relative to more traditional banking environments.

The first stop for BND Core system users with questions is now the BND ITS Help-Desk, as it is with other Bank system and application matters.

The tracking of outstanding and newly identified Core system issues has now been transferred to a single primary contact person and ITI relationship manager at BND.

The Core Banking Project team was disbanded following conversion and post-implementation work.

*Overall Survey Rating: Total Responses 186
Response Value 400*

Average 2.2

I. PERFORMANCE OF PERFORMING ORGANIZATION

The Performing Organization aspect of the Core project at BND functioned well. Staff, team and management roles and responsibilities were clearly defined and operated effectively.

Lessons learned for roll-forward to the next project include time allocation between new system work and legacy work, the importance of comprehensive planning, the value of the use of the PM methodology, and methods for tracking and communicating progress and issues including greater use of the State's PM tools and resources from project inception.

Overall Survey Rating: No Responses

J. PERFORMANCE OF PROJECT TEAM

The various teams for the BND Core Project operated effectively and management team oversight was appropriate, timely and effective.

The lessons we learned during the project will be useful in deciding how to structure future project teams and how to improve team operating efficiency and effectiveness.

*Overall Survey Rating: Total Responses 21
Response Value 60
Average 2.9*

K. KEY PROJECT METRICS

COST

The initial project ended within the budgeted amount without overrun. The total project budget was \$3,500,000; \$2,973,751 has been spent to-date with another \$200,000 anticipated for post implementation work.

SCHEDULE

The project ended on the revised schedule. While the original conversion date was targeted for mid/late-September, the revised conversion date of November 7, 2006 accommodated the changes in the delivery of hardware by the vendor, and allowed time for other training and pre-conversion work that was not included in the original plan. The revision to the schedule did not negatively affect the value of the project to the Bank or our customers.

SCOPE

The project ended within the planned scope. Several of the core ITI modules, for example – ITI's ACH module, were deferred or not included in the conversion because that function was determined to be better handled by the Bank's current system for that functionality. Some of the deferred modules might be converted for the Bank's use later upon further analysis.

QUALITY

The project ended with an acceptable amount of defects to be corrected; 'defects' being largely functionality that differs between BND and traditional banks requiring adjustment.

The overall value received from the BND Core Banking Project has equaled or exceeded the Bank's expectations. The project is a strong success from an internal process and customer service improvement perspective and we expect continued increases as we finish the post-implementation work and identify additional opportunities.

We appreciate the chance to have received some exposure to the State's Project Management methodology and are convinced of its value for future projects. We also very much appreciate the high level of service and assistance we received from ND ITD's Mark Molesworth as we learned about the PM methodology.